

AMENDED IN ASSEMBLY MARCH 26, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 8**

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**Introduced by Assembly Member Brownley**

December 1, 2008

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An act to add Section 41054 to the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 8, as amended, Brownley. Education finance: working group.

Existing law establishes the public school system in this state, and, among other things, provides for the establishment of school districts throughout the state and for their provision of instruction at the public elementary and secondary schools they operate and maintain. Existing law establishes a public school funding system that includes, among other elements, the provision of funding to local educational agencies through state apportionments, the proceeds of property taxes collected at the local level, and other sources.

This bill would express findings and declarations of the Legislature with respect to the school funding system in the state. This bill would require the Director of Finance and the Legislative Analyst to convene a working group to make findings and recommendations to the Legislature and the Governor on or before December 1, 2010, regarding restructuring California's school finance system. The bill would require those findings and recommendations to include, among other things, alternative structures for funding public schools, the policy and fiscal implications of the alternative funding structure or structures, and an evaluation mechanism to facilitate continuous improvement, maximum transparency, and accountability of the funding structures.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The 22 studies of the Getting Down to Facts Project and the
- 4 Governor’s Committee on Education Excellence were consistent
- 5 in their conclusions that California’s current education finance
- 6 system is overly complex, irrational, and burdensome, and is in
- 7 need of a long-term plan for comprehensive reform.
- 8 (b) The complexity of the current system poses a major obstacle
- 9 to transparency and effectiveness. It is almost impossible to
- 10 determine how much revenue each school district receives or how
- 11 those revenues are spent, let alone to report this information to
- 12 local communities, stakeholders, and the state.
- 13 (c) The current system is not logical, with district revenues that
- 14 are largely a historical artifact of spending in the 1970s combined
- 15 with a confusing and burdensome system of categorical programs.
- 16 Disparities in school and district revenues are substantial and are
- 17 not aligned to pupil or educator needs.
- 18 (d) The system places substantial restrictions on the use of
- 19 resources by schools and districts, creating high compliance costs
- 20 and making it difficult for local educators to respond to the needs
- 21 of their pupils. Fewer paperwork requirements and more flexibility
- 22 in allocating resources are cited by school principals as two of the
- 23 most important factors in improving pupil outcomes.
- 24 (e) Many schools and districts lack the proper tools or capacity
- 25 to ensure that money is spent on the most effective programs and
- 26 practices. Research consistently finds that successful schools use
- 27 data to inform teaching practices and innovation. However,
- 28 California schools and districts vary widely in their use of data
- 29 and in their capacity to use data to improve pupil performance.
- 30 (f) Ensuring that money is spent efficiently and effectively
- 31 requires a full understanding of how money is allocated by school
- 32 districts and spent within schools. However, California does not
- 33 collect financial data that is useful for determining the effectiveness
- 34 of resources at the state, district, or school levels.

1 (g) Therefore, it is the intent of the Legislature to do all of the  
2 following:

3 (1) Build on previous research and recommendations to produce  
4 a comprehensive plan for finance reform to support pupil  
5 achievement, with specific consideration given to the interactions  
6 of incentives in school finance formulas.

7 (2) Establish simpler formulas for allocating funding to each  
8 local educational agency.

9 (3) Make the allocation of funding more rational *and equitable*  
10 so that the revenues received by each local educational agency  
11 reflect the *actual* cost of educating pupils with varying needs in  
12 varying environments, *so that all pupils are prepared at the end*  
13 *of their elementary and secondary education for college, careers,*  
14 *and successful participation in our democratic institutions, no*  
15 *matter where they live or what their economic, racial, or ethnic*  
16 *background may be.*

17 (4) Support accountability by increasing the transparency of  
18 state funding mechanisms and of expenditure decisions at the local  
19 level.

20 (5) Improve the reporting of financial data so that programmatic  
21 investments can be linked to programs that increase pupil  
22 achievement.

23 (6) Support continuous improvement by requiring periodic  
24 review of the school finance system and of local resource decisions.

25 (7) Hold local educational agencies harmless, and transition to  
26 the new system gradually, as new moneys become available.

27 SEC. 2. Section 41054 is added to the Education Code, to read:

28 41054. (a) The Director of Finance and the Legislative Analyst  
29 shall convene a working group to make findings and  
30 recommendations to the Legislature and the Governor regarding  
31 ~~restructuring California's~~ *the implementation of a restructured*  
32 *California* school finance system as set forth in subdivision (b).

33 (1) In addition to the Department of Finance and the Legislative  
34 Analyst, the working group shall be composed of representatives  
35 of the Governor, representatives of the Superintendent of Public  
36 Instruction, and majority and minority staff of the appropriate  
37 policy and fiscal committees of the Assembly and Senate.

38 (2) The working group shall consult with, or invite the  
39 participation of, organizations or experts it deems appropriate to  
40 accomplish its tasks.

1 (3) In its deliberations, the working group shall consider and  
 2 give appropriate weight to the ~~findings and recommendations of~~  
 3 ~~the Governor’s Committee on Education Excellence and to the~~  
 4 ~~research results embodied in the Getting Down to Facts Project.~~  
 5 *sequence of recent research, findings, and recommendations*  
 6 *beginning with the Getting Down to Facts Project and leading to*  
 7 *the report of the Governor’s Committee on Education Excellence*  
 8 *and other subsequent research papers and reports, and shall draw*  
 9 *upon, rather than repeat, those efforts.*

10 (b) The working group shall make findings and  
 11 recommendations regarding all of the following:

12 (1) Alternative structures for funding public schools that shall  
 13 include, but not necessarily be limited to, all of the following  
 14 characteristics:

15 (A) Simple formulas for allocating funding to each local  
 16 educational agency.

17 (B) Rational *and equitable* allocation of funding so that the  
 18 revenues received by each local educational agency reflect the cost  
 19 of educating pupils with varying needs in varying environments,  
 20 *including, but not necessarily limited to, pupils in poverty and*  
 21 *English learners.*

22 (C) *Predictability and stability of funding so that local*  
 23 *educational agencies can effectively plan for the future.*

24 ~~(C) A funding structure that supports~~

25 (D) *Support for* accountability by providing transparency of  
 26 state revenue allocation rules as well as expenditure decisions at  
 27 the local level.

28 ~~(D) A funding structure that facilitates~~

29 (E) *Facilitation of the* reporting of financial data so that  
 30 programmatic investments can be linked to pupil achievement.

31 ~~(E) A funding structure that allocates~~

32 (F) *Allocation of* consistent additional resources to school  
 33 districts and county offices of education on the basis of exogenous  
 34 characteristics of the local educational agency and its students that  
 35 research has shown clearly affect the costs of educating pupils.

36 ~~(F) A funding structure that recognizes~~

37 (G) *Recognition of* the financial consequences of growth or  
 38 decline in the number of students served.

39 ~~(G) A funding structure that reinforces~~

40 (H) *Reinforcement of* the academic goals of the public schools.

- 1     (2) ~~Pathways to transition~~ *A means of transitioning* from the  
2 current school funding structure to the ~~more desirable and~~  
3 ~~comprehensive alternative~~ *new* structure or structures identified  
4 pursuant to paragraph (1), ~~and a specific mechanism to initiate the~~  
5 ~~transition~~ *only* as increased funding becomes available in future  
6 years. In particular, the findings and recommendations shall  
7 address:
- 8     (A) The conditions that should be in place before a transition  
9 begins.
  - 10    (B) The length of time that is necessary or appropriate to  
11 transition to a new funding structure.
  - 12    ~~(C) The manner in which local educational agencies should be~~  
13 ~~held harmless during a transition period from revenue changes~~  
14 ~~associated with a new funding structure.~~
  - 15    (C) *The extent to which local educational agencies will be held*  
16 *harmless during a transition from the current school funding*  
17 *structure to the new system, if that transition is based only on new*  
18 *funding.*
  - 19    (D) An equalization component for the transition to the new  
20 funding structure, based on the characteristics identified in  
21 subparagraphs (B) and (E) of paragraph (1).
  - 22    (E) How and when to eliminate unnecessary statutory and  
23 budgetary elements of the current school funding structure.
- 24     (3) The policy and fiscal implications of the alternative funding  
25 structure or structures identified pursuant to paragraph (1). In  
26 particular, the findings and recommendations shall address all of  
27 the following:
- 28    (A) Costs associated with implementing new school funding  
29 structures.
  - 30    (B) Trade offs inherent among the characteristics set forth in  
31 paragraph (1).
  - 32    (C) Equity considerations.
  - 33    (D) Incentives and disincentives that new school funding  
34 structures may create or eliminate.
  - 35    (E) Governance considerations.
- 36     (4) Modifications to the standardized account code structure to  
37 provide school-level reports on revenue and expenditures to  
38 facilitate easy comparisons across schools and districts, including  
39 comparisons of school, district, and statewide demographics and  
40 academic performance, and data on program-level expenditures.

1 (5) An evaluation mechanism to facilitate continuous  
2 improvement, maximum transparency, and accountability of the  
3 primary funding structures, as well as a consistent process to  
4 evaluate the effectiveness of any specific programs that are funded  
5 separately.

6 (c) The working group shall present its findings and  
7 recommendations to the Legislature and the Governor on or before  
8 December 1, 2010.